

TOWNSHIP OF SKANDIA, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Skandia Township	County Marquette
Audit Date 3/31/05	Opinion Date 9/2/5	Date Accountant Report Submitted to State: 9/30/5	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, P.C.			
Street Address 102 W. Washington St., Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature [Signature]			

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Statement of Net Assets	11
Statement of Activities.....	12
Governmental Funds – Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	14
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Fiduciary Funds – Statement of Net Assets	17
Notes to Financial Statements.....	18

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund – Budgetary Comparison Schedule	30
Road Fund – Budgetary Comparison Schedule	31
Fire Fund – Budgetary Comparison Schedule	32

OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	34
Major Governmental Funds – Road Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	38
Major Government Funds – Fire Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	39
Non-major Government Funds – First Responders Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	40
Fiduciary Funds – Combining Statement of Net Assets	41

COMPLIANCE SUPPLEMENTS

Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Report to Management Letter	44



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Supervisor and Members of
the Township Board of Trustees
Township of Skandia, Michigan
PO BOX 48
Skandia, Michigan 49885

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Township of Skandia, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major funds and the aggregate remaining fund information of the Township of Skandia, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Footnotes, the Township of Skandia, Michigan has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, as amended and interpreted as of March 31, 2005.

Supervisor and Members of
The Township Board of Trustees
Skandia, Michigan 49885

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005, on our consideration of the Township of Skandia, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and budgetary comparison information on pages 5 through 10 and 30 through 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Skandia, Michigan's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Township of Skandia, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 2, 2005

TOWNSHIP OF SKANDIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Skandia, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Township's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.
- Net assets for the Township as a whole increased by \$25,251 or 6 percent as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$ 171,999 and revenues of \$197,250.
- The General Fund reported a net fund balance of \$ 231,501. Net change in fund balance was \$17,371 higher than the forecasted increase of \$ 141.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the overall financial health of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township has no Business-Type Activities.

Reporting the Township's Most Significant Funds

Our analysis of the Township of Skandia, Michigan's major funds begins on page 9. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township of Skandia, Michigan's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- **Governmental funds** – Most of the Township of Skandia, Michigan's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township of Skandia, Michigan's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Township of Skandia, Michigan charges customers for the services it provides – whether to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township of Skandia, Michigan's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Township of Skandia, Michigan does not have any proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township as Trustee

The Township of Skandia, Michigan is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 17. We exclude these activities from the other financial statements because the Township of Skandia, Michigan cannot use these assets to finance its operations.

The Township of Skandia, Michigan is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2005.

Table 1 Net Assets	
Governmental Activities – 2005	
Current and other assets	\$347,999
Non-current assets	<u>130,565</u>
Total Assets	<u>478,564</u>
Current liabilities	5,242
Non-current liabilities	<u>9,489</u>
Total Liabilities	<u>14,731</u>
Net Assets:	
Invested in capital assets, net of related debt	130,565
Restricted	-
Unrestricted (deficit)	<u>333,268</u>
Total Net Assets	<u>\$463,833</u>

Net assets of the Township of Skandia, Michigan's governmental activities stood at \$ 463,833. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$ 333,268.

The \$ 333,268 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township of Skandia, Michigan as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2	
Changes in Net Assets	
	Governmental Activities – 2005
Revenues:	
Program Revenues:	
Charges for services	\$ 16,940
Operating Grants	-
Capital Grants	-
General Revenues:	
Property taxes	85,638
State Sources	75,522
Interest	14,928
Miscellaneous	<u>4,222</u>
Total Revenues	<u>197,250</u>
Program Expenses:	
Legislative	15,518
Elections	2,448
General Services and Administration	51,297
Public Safety	43,104
Public Works	5,706
Health and Welfare	9,969
Community & Economic Dev.	3,957
Recreation and Culture	-
Other	<u>40,000</u>
Total Expenses	<u>171,999</u>
Excess (deficiency) before transfers	25,251
Transfers	<u>-</u>
Increase (decrease) in net assets	25,251
Net assets, beginning, as restated	<u>438,582</u>
Net Assets, Ending	<u>\$463,833</u>

The Township of Skandia, Michigan's total revenues were \$197,250. The total cost of all programs and services was \$171,999, leaving an increase in net assets of \$25,251. Our analysis below separately considers the operations of governmental activities:

Governmental Activities

The net assets of the Township of Skandia, Michigan's governmental activities increased \$25,251 for the year ended March 31, 2005.

The Net Income was made up from \$5,415 in from Governmental Funds Net Income, Depreciation expense of \$6,912 and reclassify of principal of \$26,748.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE TOWNSHIP'S FUNDS

As the Township of Skandia, Michigan completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a combined fund balance of \$344,655 which is an increase of \$5,415 from the beginning of the year.

The increase of \$5,415 in the budget from the beginning of the year was due to \$10,000 Contingency Fund that we did not use and other expenses totaled a surplus amount of \$12,933. We did make a down payment on a new fire truck which increased our Fire Fund expenses by \$17,518.

General Fund Budgetary Highlights

Over the course of the year, the Township of Skandia, Michigan Board revised the budget a few times.

Amendments resulted in a net increase of \$1,458.

With these adjustments, actual charges to expenditures were \$17,371 less than the final amended budget. Conversely, revenues were \$831 less than the final budget projection.

We watched our budget closely not to over spend which gave us a surplus amount of \$17,371 more than we budgeted for. We did not have to use any money from our contingency fund which was a savings of \$10,000 and all other expenses total \$7,371.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the Township of Skandia, Michigan had \$130,565 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3	
Capital Assets at Year-End (Net of Depreciation)	
	Governmental Activities - 2005
Land	\$ 1,000
Land improvements	-
Buildings and improvements	127,148
Equipment and furnishings	2,417
	<u>\$130,565</u>

The Township of Skandia, Michigan had no additions or deletions in fixed assets in the current year. Depreciation expense for the year was \$6,912.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At end of the fiscal year, the Township of Skandia, Michigan had \$11,387 in bonds outstanding as depicted in Table 4 below.

Table 4	
Outstanding Debt at Year-End	
Governmental	
Activities – 2005	
Landfill Bond	<u>\$ 11,387</u>

The Township of Skandia, Michigan had no new debt in the current year and made principal payments of \$26,748.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township of Skandia, Michigan's budget for the year ending March 31, 2006

We looked at the past year's budget vs. actual and did our budget for 2006 with some minor adjustments.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township of Skandia, Michigan's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of Skandia, PO BOX 48, Skandia, and MI 49885.

Township of Skandia, Michigan

STATEMENT OF NET ASSETS

March 31, 2005

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 320,858
Receivables (net)	27,141
TOTAL CURRENT ASSETS	<u>347,999</u>
Non-current assets:	
Capital Assets	
Land and construction in progress	1,000
Other capital assets	234,192
Accumulated depreciation	(104,627)
Total Capital Assets	<u>130,565</u>
TOTAL NON-CURRENT ASSETS	<u>130,565</u>
TOTAL ASSETS	<u>478,564</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	1,220
Accrued liabilities	2,124
Current portion of bonds payable	1,898
TOTAL CURRENT LIABILITIES	<u>5,242</u>
Non-current Liabilities:	
Bonds payable	9,489
TOTAL NON-CURRENT LIABILITIES	<u>9,489</u>
TOTAL LIABILITIES	<u>14,731</u>
NET ASSETS	
Invested in capital assets net of related debt	130,565
Unrestricted	333,268
TOTAL NET ASSETS	<u><u>\$ 463,833</u></u>

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Legislative	\$ 15,518	\$ -	\$ -	\$ -	(15,518)
Elections	2,448	-	-	-	(2,448)
General services and administration	51,297	699	-	-	(50,598)
Public safety	43,104	-	-	-	(43,104)
Public works	5,706	16,241	-	-	10,535
Health and Welfare	9,969	-	-	-	(9,969)
Community and economic development	3,957	-	-	-	(3,957)
Recreation and culture	-	-	-	-	-
Other	40,000	-	-	-	(40,000)
Total Governmental Activities	171,999	16,940	-	-	(155,059)
TOTAL PRIMARY GOVERNMENT	\$ 171,999	\$ 16,940	\$ -	\$ -	(155,059)
General Revenues:					
Taxes					85,638
Unrestricted State sources					75,522
Interest and investment earnings					14,928
Miscellaneous					4,222
Transfers					-
TOTAL GENERAL REVENUES AND TRANSFERS					180,310
CHANGE IN NET ASSETS					25,251
Net assets, beginning of year					438,582
NET ASSETS, END OF YEAR					\$ 463,833

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

ASSETS	General Fund	Road Fund	Fire Fund	Non-Major First Responders Fund	Total Governmental Funds
Cash and cash equivalents	\$ 187,461	\$ 59,879	\$ 61,519	\$ 11,999	\$ 320,858
Receivables	15,678	-	-	-	15,678
Taxes receivable	4,310	2,013	3,475	1,489	11,287
Due from other funds	26,176	-	-	-	26,176
TOTAL ASSETS	\$ 233,625	\$ 61,892	\$ 64,994	\$ 13,488	\$ 373,999

LIABILITIES AND FUND BALANCE

LIABILITIES:					
Accounts payable	\$ -	\$ 1,220	\$ -	\$ -	\$ 1,220
Accrued payroll and related	2,124	-	-	-	2,124
Due to other funds	-	-	26,000	-	26,000
TOTAL LIABILITIES	2,124	1,220	26,000	-	29,344

FUND BALANCE:

Unreserved, reported in:

General Fund	231,501	-	-	-	231,501
Special Revenue Funds	-	60,672	38,994	13,488	113,154
TOTAL FUND BALANCE	231,501	60,672	38,994	13,488	344,655
TOTAL LIABILITIES AND FUND BALANCE	\$ 233,625	\$ 61,892	\$ 64,994	\$ 13,488	\$ 373,999

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2005

Total Fund Balances for Governmental Funds		\$	344,655
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			130,565
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Current portion of bonds payable	1,898		
Bonds payable	<u>9,489</u>		
			<u>(11,387)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u>463,833</u>

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended March 31, 2005

	General Fund	Road Fund	Fire Fund	Non-Major First Responders Fund	Total Governmental Funds
REVENUES:					
Taxes	\$ 34,225	\$ 15,751	\$ 24,963	\$ 10,699	\$ 85,638
Licenses and permits	-	-	-	-	-
State sources	75,522	-	-	-	75,522
Charges for services	16,940	-	-	-	16,940
Interest	13,887	418	623	-	14,928
Other	4,210	-	-	12	4,222
TOTAL REVENUES	144,784	16,169	25,586	10,711	197,250
EXPENDITURES:					
Current operations:					
Legislative	15,518	-	-	-	15,518
Elections	2,448	-	-	-	2,448
General services and administration	44,385	-	-	-	44,385
Public safety	-	-	43,104	-	43,104
Public works	5,964	26,490	-	-	32,454
Health and welfare	-	-	-	9,969	9,969
Community and economic development	3,957	-	-	-	3,957
Recreation and culture	-	-	-	-	-
Other	40,000	-	-	-	40,000
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	112,272	26,490	43,104	9,969	191,835
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32,512	(10,321)	(17,518)	742	5,415
OTHER FINANCING SOURCES (USES):					
Transfers in	-	15,000	-	-	15,000
Transfers (out)	(15,000)	-	-	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	15,000	-	-	-
CHANGE IN FUND BALANCE	17,512	4,679	(17,518)	742	5,415
Fund balance, beginning of year	213,989	55,993	56,512	12,746	339,240
FUND BALANCE, END OF YEAR	\$ 231,501	\$ 60,672	\$ 38,994	\$ 13,488	\$ 344,655

The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	5,415
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which capital outlays exceeded depreciation in the
current period.

Capital outlays	-	
Depreciation expense	(6,912)	
Gain (loss) on disposal	-	
	<hr/>	(6,912)

Repayment of bond principal is an expenditure in the governmental
funds but the repayment reduces long-term liabilities in the statement
of net assets.

<hr/>	26,748
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>25,251</u>
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The accompanying notes are an integral part of these financial statements.

Township of Skandia, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2005

	Agency Funds
ASSETS:	
Cash and cash equivalents	\$ 176
Due from other funds	-
TOTAL ASSETS	\$ 176
LIABILITIES:	
Due to other funds	\$ 176
Due to others	-
TOTAL LIABILITIES	\$ 176

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SKANDIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township of Skandia, Michigan have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township of Skandia, Michigan's financial statements present the Township of Skandia, Michigan (the primary government). In evaluating the Township of Skandia, Michigan as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township of Skandia, Michigan may or may not be financially accountable and, as such, be includable within the financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township of Skandia, Michigan's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township of Skandia, Michigan does not have any activity that is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township of Skandia, Michigan's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township of Skandia, Michigan as an entity and the change in the Township of Skandia, Michigan's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- **General Fund** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- **Road Fund** – Road Fund is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to road improvement.
- **Fire Fund** – Fire Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to Fire protection services.
- **First Responders Fund** – First Responders Fund is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to emergency management services.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund – Road Fund is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to road improvement.

Fire Fund – Fire Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to Fire protection services.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Skandia Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township of Skandia, Michigan adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	25-40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5-10 years
Infrastructure	20-50 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-Term Liabilities: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Compensated Absences – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as either, loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Implementation of New Accounting Principles – In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB No. 34). Certain of the significant changes in the Statement include the following:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operation's.
 - Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (e.g. streets, bridges and sidewalks)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

NOTE B – DEPOSITS AND INVESTMENTS:

The composition of cash and investments as reported in the Statement of Net Assets is presented below:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Investments:			
Unrestricted	<u>\$ 320,858</u>	<u>\$ 176</u>	<u>\$321,034</u>
TOTAL	<u>\$ 320,858</u>	<u>\$ 176</u>	<u>\$321,034</u>

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Composition of Balances:			
Cash in banks	\$ 219,857	\$ 176	\$ 220,033
Certificates of Deposit	101,001	-	101,001
Petty Cash	-	-	-
TOTAL	<u>\$ 320,858</u>	<u>\$ 176</u>	<u>\$ 321,034</u>

Act 196, PA 1997, authorized the Township to deposit and invest in:

- a. Bonds, securities, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

- d. United States government or Federal agency obligation repurchase agreements.
- e. Banker's acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- g. Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
- h. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits

At year-end, the carrying amount of the Township's deposits was \$ 220,033 and the bank balance was \$ 230,458. Of the bank balance, \$ 230,458 was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables were related to timing of reimbursements as of the year end:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	\$176	Trust and Agency	\$ 176
General	26,000	Fire	26,000
TOTAL	<u>\$ 26,176</u>	TOTAL	<u>\$ 26,176</u>

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	<u>Balance at April 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at March 31, 2005</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total Capital Assets, not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Buildings and improvements	228,151	-	-	228,151
Land improvements	-	-	-	-
Furniture and equipment	6,041	-	-	6,041
Total Capital Assets being depreciated	<u>234,192</u>	<u>-</u>	<u>-</u>	<u>234,192</u>

NOTE D – CAPITAL ASSETS (Continued):

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
Less Accumulated Depreciation:				
Buildings and improvements	\$(95,299)	\$(5,704)	-	\$(101,003)
Land improvements	-	-	-	-
Furniture and equipment	<u>(2,416)</u>	<u>(1,208)</u>	-	<u>(3,624)</u>
Total Accumulated Depreciation	<u>(97,715)</u>	<u>(6,912)</u>	-	<u>(104,627)</u>
Governmental Activities Capital Assets, Net	<u>\$137,477</u>	<u>\$(6,912)</u>	<u>\$ -</u>	<u>\$ 130,565</u>

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 6,912
Public Safety	-
Recreation and Culture	-
Total	<u>\$6,912</u>

NOTE E – LONG-TERM DEBT:

SCHEDULE OF MARQUETTE COUNTY LANDFILL BOND March 31, 2005

	May	November	
	Principal	Interest	Interest
2005	\$ 1,898	\$ 399	\$347
2006	2,098	345	240
2007	2,247	238	181
2008	2,447	180	67
2009	<u>2,697</u>	<u>68</u>	-
TOTALS	<u>\$11,387</u>	<u>\$ 1,230</u>	<u>\$835</u>

The Bonds originally issued for \$26,730 and dated September 11, 1991 mature annually as scheduled above and bears a variable interest rate.

Changes in long-term debt principal during the period ended March 31, 2005 are summarized as follows:

	April 1, 2004	Additions	Subtractions	March 31, 2005
Governmental Activities:				
Road Improvement Contract	\$25,000	\$ -	\$ 25,000	\$ -
<i>This debt represents the Township's share of the Bond to form the Joint Venture in the Marquette County Solid Waste Management Authority.</i>				
Total Governmental Activities	<u>\$ 13,135</u>	<u>\$ -</u>	<u>\$ 1,748</u>	<u>\$11,387</u>
	<u>38,135</u>	<u>-</u>	<u>26,748</u>	<u>11,387</u>
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>\$38,135</u>	<u>\$ -</u>	<u>\$ 26,748</u>	<u>\$ 11,387</u>

NOTE F – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2004 taxable valuation of the Local Governmental Unit totaled \$14,085,284, on which ad valorem taxes levied consisted of 1.2971 mills for the Local Governmental Unit operation purposes, .9744 mills for road improvements, 1.6820 mills for fire services and .7208 mills for first responders. These amounts are recognized in the General Fund, Road Fund, Fire Fund, and First Responders Fund financial statements as revenue.

NOTE G – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE H – JOINT VENTURE:

In June 1988, Skandia Township joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

NOTE H – JOINT VENTURE (Continued):

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2004, is as follows:

Total Assets	\$13,084,748
Total Liabilities	2,136,948
Total Equity	10,947,800
Total Operating Revenues	3,157,413
Total Operating Expenses	2,065,094
Net Income (loss)	1,033,247

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

NOTE I – EXCESS EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18 (1), as amended, provides that a Township shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Townships actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis.

The approved budgets to the Township General and Special Revenue Funds were adopted on an activity and/or program level. During the year ended March 31, 2005, the Township incurred functional expenditures which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Final Amended Budget</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Public Works:			
Garbage Collection	\$3,601	\$3,914	\$313
Road Fund	-	26,490	26,490
Fire Fund	-	43,104	43,104
First Responders	-	9,969	9,969

NOTE J – DEFINED CONTRIBUTION PENSION PLAN:

The Township has a defined contribution retirement plan through Michigan Township Association, covering all elected and appointed officials, whom are at least 18 years of age. The Township's contributions for all funds amounted to \$1,882 for the year ended March 31, 2005.

The Township's share of the premium due under the policy is computed as 2% of total wages. Each plan participant is 100% vested upon entering the plan.

NOTE K – INTERFUND TRANSFERS IN AND OUT:

The transfer to the Road Fund was the general fund annual allocation.

	<u>Transfers In</u>		<u>Transfers Out</u>
Road Fund	\$ 15,000	General Fund	\$15,000
TOTAL REPORTING ENTITY	<u>\$ 15,000</u>	TOTAL REPORTING ENTITY	<u>\$15,000</u>

**REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION**

Township of Skandia, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 21,960	\$ 33,620	\$ 34,225	\$ 605
Licenses and permits	-	-	-	-
State sources	82,546	74,595	75,522	927
Charges for services	17,700	18,155	16,940	(1,215)
Interest	12,500	14,961	13,887	(1,074)
Other revenues	9,451	4,284	4,210	(74)
TOTAL REVENUES	144,157	145,615	144,784	(831)
EXPENDITURES:				
Legislative	18,025	18,025	15,518	2,507
Elections	3,300	3,300	2,448	852
General services and administration	56,180	48,942	44,385	4,557
Public safety	-	-	-	-
Public works	5,701	5,788	5,964	(176)
Community and economic development	4,210	4,244	3,957	287
Recreation and culture	-	-	-	-
Other	43,058	50,175	40,000	10,175
TOTAL EXPENDITURES	130,474	130,474	112,272	18,202
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,683	15,141	32,512	17,371
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(15,000)	(15,000)	(15,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	(15,000)	(15,000)	-
CHANGE IN FUND BALANCE	(1,317)	141	17,512	17,371
Fund balance, beginning of year	213,989	213,989	213,989	-
FUND BALANCE, END OF YEAR	\$ 212,672	\$ 214,130	\$ 231,501	\$ 17,371

Township of Skandia, Michigan

ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ 15,751	\$ 15,751
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	418	418
Other revenues	-	-	-	-
TOTAL REVENUES	-	-	16,169	16,169
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	26,490	(26,490)
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	-	-	26,490	(26,490)
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	-	-	(10,321)	(10,321)
OTHER FINANCING SOURCES (USES):				
Transfers (in)	-	-	15,000	15,000
TOTAL OTHER FINANCING				
SOURCES (USES)	-	-	15,000	15,000
CHANGE IN FUND BALANCE	-	-	4,679	4,679
Fund balance, beginning of year	55,993	55,993	55,993	-
FUND BALANCE, END OF YEAR	\$ 55,993	\$ 55,993	\$ 60,672	\$ 4,679

Township of Skandia, Michigan

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 24,963	\$ 24,963
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	623	623
Other revenues	-	-	-	-
TOTAL REVENUES	-	-	25,586	25,586
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	-	-	43,104	(43,104)
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	-	-	43,104	(43,104)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(17,518)	(17,518)
OTHER FINANCING SOURCES (USES):				
Transfers (in)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	-	-	(17,518)	(17,518)
Fund balance, beginning of year	56,512	56,512	56,512	-
FUND BALANCE, END OF YEAR	\$ 56,512	\$ 56,512	\$ 38,994	\$ (17,518)

**Other Supplemental
Information**

Township of Skandia, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 18,599	\$ 16,042	\$ (2,557)
Delinquent taxes	-	4,310	4,310
Commercial forest	1,079	456	(623)
Swamp tax	7,929	7,929	-
Collection fees	6,013	5,488	(525)
Total Taxes	<u>33,620</u>	<u>34,225</u>	<u>605</u>
State Sources:			
Revenue sharing	74,595	73,133	(1,462)
Metro authority	-	2,389	2,389
Total State Sources	<u>74,595</u>	<u>75,522</u>	<u>927</u>
Charges for Services:			
Transfer station tickets	17,424	16,241	(1,183)
Miscellaneous	731	699	(32)
Total Charges for Services	<u>18,155</u>	<u>16,940</u>	<u>(1,215)</u>
Interest and Rents			
Interest	3,585	2,511	(1,074)
Rents	11,376	11,376	-
Total Interest and Rents	<u>14,961</u>	<u>13,887</u>	<u>(1,074)</u>
Other Revenues:			
Miscellaneous other	4,284	4,210	(74)
Total Other Revenues	<u>4,284</u>	<u>4,210</u>	<u>(74)</u>
TOTAL REVENUES	<u>145,615</u>	<u>144,784</u>	<u>(831)</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	7,200	6,673	527
Supplies	2,700	3,219	(519)
Other services and charges	8,125	5,626	2,499
TOTAL LEGISLATIVE	<u>18,025</u>	<u>15,518</u>	<u>2,507</u>

Township of Skandia, Michigan
MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
ELECTIONS:			
Personnel services	\$ 1,800	\$ 1,071	\$ 729
Supplies	1,200	828	372
Other services and charges	300	549	(249)
TOTAL ELECTIONS	<u>3,300</u>	<u>2,448</u>	<u>852</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	7,100	6,600	500
Other services and charges	-	-	-
Total Supervisor	<u>7,100</u>	<u>6,600</u>	<u>500</u>
Assessor:			
Personnel services	3,900	3,900	-
Supplies	-	-	-
Other services and charges	250	2	248
Total Assessor	<u>4,150</u>	<u>3,902</u>	<u>248</u>
Clerk:			
Personnel services	8,500	8,281	219
Other services and charges	-	-	-
Total Clerk	<u>8,500</u>	<u>8,281</u>	<u>219</u>
Board of Review:			
Personnel services	613	610	3
Other services and charges	160	55	105
Total Board of Review	<u>773</u>	<u>665</u>	<u>108</u>
Treasurer:			
Personnel services	9,100	9,017	83
Supplies	-	-	-
Other services and charges	3,000	2,487	513
Total Treasurer	<u>12,100</u>	<u>11,504</u>	<u>596</u>

Township of Skandia, Michigan
MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Township Hall and Grounds:			
Personnel services	\$ 2,100	\$ 1,557	\$ 543
Supplies	500	445	55
Other services and charges	6,719	10,053	(3,334)
Capital outlay	7,000	1,378	5,622
Total Township Hall and Grounds	<u>16,319</u>	<u>13,433</u>	<u>2,886</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>48,942</u>	<u>44,385</u>	<u>4,557</u>
PUBLIC WORKS:			
Streetlights:			
Other services and charges	2,187	2,050	137
Total Streetlights	<u>2,187</u>	<u>2,050</u>	<u>137</u>
Garbage Collection:			
Other services and charges	3,601	1,317	2,284
Debt service	-	2,597	(2,597)
Total Garbage Collection	<u>3,601</u>	<u>3,914</u>	<u>(313)</u>
TOTAL PUBLIC WORKS	<u>5,788</u>	<u>5,964</u>	<u>(176)</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Zoning:			
Personnel services	3,094	3,060	34
Supplies	-	-	-
Other services and charges	-	34	(34)
Total Refuse Collection	<u>3,094</u>	<u>3,094</u>	<u>-</u>
Planning Commission:			
Personnel services	1,000	720	280
Supplies	-	-	-
Other services and charges	150	143	7
Total Planning Commission	<u>1,150</u>	<u>863</u>	<u>287</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>4,244</u>	<u>3,957</u>	<u>287</u>

Township of Skandia, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
OTHER:			
Joint operating expense	\$ 40,175	\$ 40,000	\$ 175
Miscellaneous	10,000	-	10,000
TOTAL OTHER	<u>50,175</u>	<u>40,000</u>	<u>10,175</u>
TOTAL EXPENDITURES	<u>130,474</u>	<u>112,272</u>	<u>18,202</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>15,141</u>	 <u>32,512</u>	 <u>17,371</u>
OTHER FINANCING SOURCES (USES):			
Transfers (Out):			
Transfers out	(15,000)	(15,000)	-
Total Transfers (Out)	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
 CHANGE IN FUND BALANCE	 141	 17,512	 17,371
Fund balance, beginning of year	<u>213,989</u>	<u>213,989</u>	<u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 214,130</u>	 <u>\$ 231,501</u>	 <u>\$ 17,371</u>

Township of Skandia, Michigan
MAJOR GOVERNMENTAL FUNDS

ROAD FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ -	\$ 12,050	\$ 12,050
Delinquent taxes	-	2,013	2,013
Commercial forest	-	429	429
National forest	-	1,259	1,259
Total Taxes	-	15,751	15,751
Other Revenues:			
Interest	-	418	418
Total Other Revenues	-	418	418
TOTAL REVENUES	-	16,169	16,169
EXPENDITURES:			
Road:			
Other services and charges	-	26,490	(26,490)
Total Refuse Collection	-	26,490	(26,490)
TOTAL PUBLIC WORKS	-	26,490	(26,490)
TOTAL EXPENDITURES	-	26,490	(26,490)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(10,321)	(10,321)
OTHER FINANCING SOURCES (USES):			
Transfers (In):			
General Fund	-	15,000	15,000
Total Transfers (In)	-	15,000	15,000
TOTAL OTHER FINANCING SOURCES (USES)	-	15,000	15,000
CHANGE IN FUND BALANCE	-	4,679	4,679
Fund balance, beginning of year	55,993	55,993	-
FUND BALANCE, END OF YEAR	\$ 55,993	\$ 60,672	\$ 4,679

Township of Skandia, Michigan
MAJOR GOVERNMENTAL FUNDS

FIRE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ -	\$ 20,902	\$ 20,902
Delinquent taxes	-	3,476	3,476
Commercial forest	-	585	585
Total Taxes	-	24,963	24,963
Other Revenues:			
Interest	-	623	623
Total Other Revenues	-	623	623
TOTAL REVENUES	-	25,586	25,586
EXPENDITURES:			
Public Safety:			
Other services and charges	-	43,104	(43,104)
Total Expenditures	-	43,104	(43,104)
TOTAL EXPENDITURES	-	43,104	(43,104)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(17,518)	(17,518)
OTHER FINANCING SOURCES (USES):			
Transfers (In):			
General Fund	-	-	-
Total Transfers (In)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	-	(17,518)	(17,518)
Fund balance, beginning of year	56,512	56,512	-
FUND BALANCE, END OF YEAR	\$ 56,512	\$ 38,994	\$ (17,518)

Township of Skandia, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

FIRST RESPONDERS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ -	\$ 8,915	\$ 8,915
Delinquent taxes	-	1,490	1,490
Commercial forest	-	294	294
Total Taxes	-	10,699	10,699
Other Revenues:			
Interest	-	12	12
Total Other Revenues	-	12	12
TOTAL REVENUES	-	10,711	10,711
EXPENDITURES:			
Public Safety			
Other charges and services	-	9,969	(9,969)
TOTAL EXPENDITURES	-	9,969	(9,969)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	742	742
OTHER FINANCING SOURCES (USES):			
Transfers (In):			
General Fund	-	-	-
Total Transfers (In)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	-	742	742
Fund balance, beginning of year	12,746	12,746	-
FUND BALANCE, END OF YEAR	<u>\$ 12,746</u>	<u>\$ 13,488</u>	<u>\$ 742</u>

Township of Skandia, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2005

	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 176	\$ 176
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 176</u>	<u>\$ 176</u>
LIABILITIES		
Due to other funds	\$ 176	\$ 176
Due to others	-	-
TOTAL LIABILITIES	<u>\$ 176</u>	<u>\$ 176</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Supervisor and Township Board of Trustees
Township of Skandia, Michigan
PO Box 48
Skandia, Michigan 49885

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Skandia, Michigan as of and for the year ended March 31, 2005, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other matters

As part of obtaining reasonable assurance about whether the Township of Skandia, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in a separate letter to management dated September 2, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Skandia, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 2, 2005

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Township of Skandia, Michigan ***Report to Management Letter*** ***For the Year Ended March 31, 2005***

To the Honorable Supervisor and Township Board
Township of Skandia, Michigan
PO Box 48
Sidnaw, MI 49885

In planning and performing our audit of the financial statements of the Township of Skandia, Michigan for the year ended March 31, 2005, we considered its internal control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted no matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

INSTANCES OF NON-COMPLIANCE

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process.

The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

To the Honorable Supervisor and Township Board
Township of Skandia, Michigan

The Township was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in the footnotes.

This report is intended solely for the information and use of the Township's management, and others within the Township Administration.

We appreciate and would like to thank the Township's staff for the cooperation and courtesy extended to us during our audit. We would be please to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 2, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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September 2, 2005

To the Honorable Supervisor and Township Board
Skandia Township
PO Box 48
Skandia, MI 49885

We have audited the financial statements of the Township of Skandia, Michigan for the year ended March 31, 2005, and have issued our report thereon dated September 2, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Skandia, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the Township and its component units are described in Footnote A in the respective financial statements. The Township adopted the provisions of GASB #34 for the reporting year. We noted no transactions entered into by the Township or its component units during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Honorable Supervisor and Township Board
Skandia Township, Michigan

Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Skandia, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Skandia, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Skandia, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Skandia, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Township of Skandia, Michigan Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants